

## IMPLEMENTATION OF OVERSEAS COST-OF-LIVING ALLOWANCE CHANGES (EXAMPLES OF ADJUSTMENTS BASED ON CURRENCY FLUCTUATIONS)

This year, Overseas Cost-of-Living Allowance (OCOLA) decreases will be implemented on May 15 and November 15. OCOLA increases (based on cost-of-living data) are implemented immediately after Service approval. Increases (due to currency fluctuations) must exceed the current OCOLA baseline index before implementation.

In the following examples:

- Date: the effective date (pay period) of each currency and/or data change.
- OCOLA index: the actual index after a data and/or currency change.
- Change in index: the change in OCOLA index points from the previous pay period.
- OCOLA index payout: the OCOLA index used to compute members' OCOLA payments. This will differ from the actual OCOLA index based on the new implementation restrictions.
- Change in payout: the change in the OCOLA payout index from the previous pay period.
- Financial impact: the following examples are based on an E-6 with 10 years of service and 3 dependents.

**EXAMPLE 1 TABLE**

Date	OCOLA Index	Change in Index	OCOLA Index (Payout)	Change in Payout	Financial Impact (E-6)
<b>May 15 (Baseline)</b>	<b>110</b>	--	<b>110</b>	--	<b>\$386</b>
June 1 (Currency)	106	-4	110	0	\$386
June 15 (Currency)	104	-2	110	0	\$386
July 1 (Currency)	106	+2	110	0	\$386
July 15 (Currency)	110	+4	110	0	\$386
August 1 (Currency)	110	0	110	0	\$386
August 15 (Cost-of-Living Data)	116	+6	116	+6	\$617
September 1	116	0	116	0	\$617
September 15	116	0	116	0	\$617
October 1	116	0	116	0	\$617
October 15	116	0	116	0	\$617
November 1 (Currency)*	112	-4	116	0	\$617
<b>November 15 (New Baseline)</b>	<b>112</b>	<b>0</b>	<b>112</b>	<b>-4</b>	<b>\$463</b>

**\*Note:** The currency change is not subject to the 30-day notice requirement, as the Allowances Division staff are communicating about currency fluctuations with the Country Allowance Coordinators/Combatant Commands bimonthly.

**Example 1** – Suppose the OCOLA index on May 15 is 110 and decreases from 110 to 104 over the course of two subsequent pay periods due to currency fluctuations (Currency). The decreases are not implemented due to the restriction on implementing decreases once every 6 months; therefore, the OCOLA payout remains at 110, \$386 per month.

Between July 1 and July 15, the OCOLA index rises to 110; however, the OCOLA payout does not change because these increases do not exceed the May 15 (110) index.

A 6-point OCOLA increase based on the analysis of new cost-of-living data (Cost-of-Living Data) is approved on August 15 and is implemented immediately, increasing the OCOLA payment to \$617 per month. There are no currency or data changes between September 1 and October 15.

On November 1, the OCOLA index decreases 4 points based on currency; however, there will be no change to the OCOLA payout.

On November 15, the OCOLA Payout is changed to the OCOLA Index, setting a new ‘baseline’ for the next 6-month period to 112, decreasing the OCOLA payment from \$617 to \$463 per month.

**EXAMPLE 2 TABLE**

Date	OCOL A Index	Change in Index	OCOLA Index (Payout)	Change in Payout	Financial Impact (E-6)
<b>May 15 (Baseline)</b>	<b>110</b>	--	<b>110</b>	--	\$386
June 1 (Currency)	114	+4	114	+4	\$540
June 15 (Currency)	116	+2	116	+2	\$617
July 1 (Currency)	114	-2	116	0	\$617
July 15 (Currency)	110	-4	116	0	\$617
August 1 (Currency)	110	0	116	0	\$617
August 15 (Cost-of-Living Data)	104	-6	116	0	\$617
September 1	104	0	116	0	\$617
September 15	104	0	116	0	\$617
October 1	104	0	116	0	\$617
October 15	104	0	116	0	\$617
November 1	104	0	116	0	\$617
<b>November 15 (New Baseline)</b>	<b>104</b>	<b>0</b>	<b>107</b>	<b>-9</b>	<b>\$270</b>
⋮	104	0	107	0	\$270
<b>May 15 (New Baseline)</b>	<b>104</b>	<b>0</b>	<b>104</b>	<b>-3</b>	<b>\$154</b>

**Example 2** – Suppose the OCOLA index on May 15 is 110 and the OCOLA index rises from 110 to 116 over the course of two subsequent pay periods, increasing the monthly OCOLA payment from \$386 to \$617. Because the OCOLA index increases above the May 15 (110) index, the increases are implemented immediately and the OCOLA payout rises.

Between July 1 and July 15, the OCOLA index decreases by 6 points; however, the OCOLA payout does not decrease due to the restriction on implementing decreases only once every 6 months.

A 6-point OCOLA decrease based on the analysis of new cost-of-living data is approved in August; however, it is not implemented due to the restriction on implementing decreases only once every 6 months. If the OCOLA index remains unchanged until November 15, the OCOLA payout will reduce by 50% of the OCOLA data decrease (3 points) and the cumulative decrease due to currency (6 points), from 116 to 107 (an actual 9-point decrease), decreasing monthly OCOLA payments from \$617 to \$270.

The OCOLA index on November 15 sets a new ‘baseline’ for the next 6-month period.

Assuming the exchange rate remains constant after November 15, the remaining 50% of the 6-point decrease (3 points) will be effective the following May 15 to match the OCOLA index on that date, decreasing monthly OCOLA payments from \$270 to \$154.